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5 March 1958

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

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I. THE COMMUNIST BLOC

Korean airliner issue: North Korea has declared that the passengers of the hijacked South Korean airliner who wish to be returned will be delivered at Panmunjom on 6 March. Pyongyang seems intent on maintaining the facade of government-to-government arrangements and has proposed that representatives of the American and West German governments be present when the passengers are freed, although it has announced readiness to accept representatives of the South Korean Red Cross. This latest Communist initiative may reflect some anxiety to effect an early release of the passengers, whose kidnapping distracted attention from Peiping's recent promise to withdraw its troops from Korea.

Communist China - Ceylon: Communist China's \$10,500,000 low-interest ten-year loan to Ceylon for flood rehabilitation follows closely the conclusion of a Soviet \$30,000,000 long-term loan which also included

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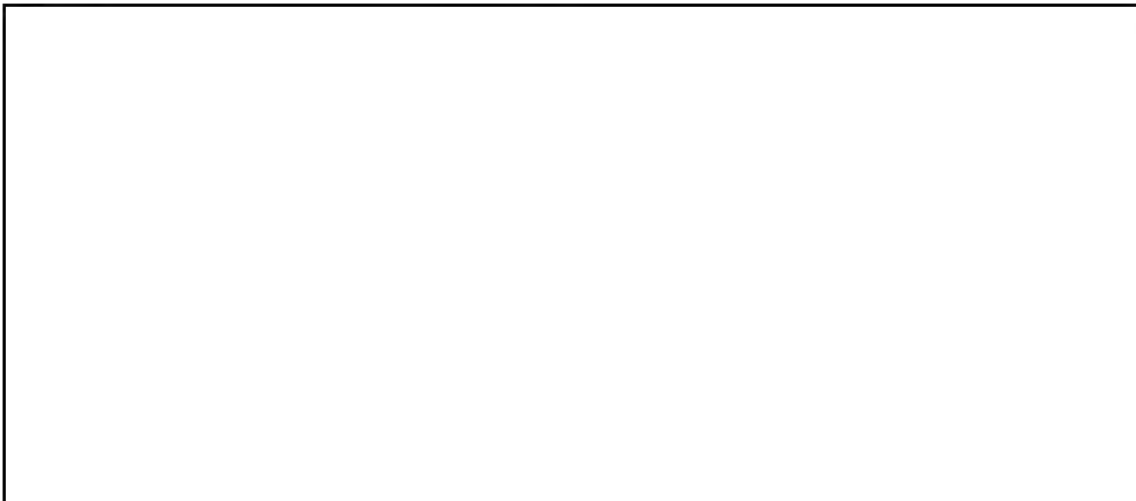
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relief funds. The Sino-Soviet bloc has given credits and grants worth \$60,000,000 since it began its aid offensive in Ceylon last September. [REDACTED]

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II. ASIA-AFRICA



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Egypt-Jordan: The first violence stemming from Nasir's vehement propaganda campaign against the Jordanian Government occurred on 3 March, when a progovernment newspaper's presses were blown up in Jordanian Jerusalem. Further antigovernment violence in the West Jordan area is likely. [REDACTED]

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DAILY BRIEF

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Tunisian situation: Influential Tunisian newspapers indicate impatience and suspicion of the "good offices" efforts. Meanwhile, a representative of the International Red Cross is convinced that Algerian refugees, entering Tunisia from the border area where France plans to create a "no man's land," are telling atrocity stories which are generally authentic even if exaggerated. [REDACTED]
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Morocco: The Rabat government, fearing a French military build-up in Morocco, has again requested that the United States prevent France from bringing large quantities of materiel into Morocco via the American air bases, particularly the naval air facility at Port Lyautey. While aware that these bases are under joint US-French control, the Moroccan Government fears this legal distinction may be lost on an aroused Moroccan public. An earlier request occurred in the fall of 1956 when France used its facilities on the Port Lyautey base to circumvent a Moroccan closure of other Moroccan ports. [REDACTED]

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India: India has received a firm offer from Rumania to finance and construct one of two government-owned refineries soon to be built. New Delhi will entertain other offers, but the Indian Ministry of Steel, Mines, and Fuel is apparently favorably inclined toward the Rumanian offer. It considers Rumanian competence high and the prospect of quick action good. Acceptance would expand Soviet bloc influence in the basic Indian steel, coal, and oil industries, where considerable bloc interest already centers. [REDACTED]

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Tunisian Situation Remains Tense

The two most influential French-language newspapers in Tunisia reflect impatience and suspicion on the part of many Tunisians toward the "good offices" mission. One paper says the people are waiting impatiently for results of the Murphy mission's efforts. The other comments that "silence, mystery, and the slowness of American secret diplomacy are leading to confusion." Ambassador Jones reports that President Bourguiba, who declined to comment on the "good offices" in his 27 February radio speech, has created a public opinion problem with his people, who are used to being told how to react to important situations. The Tunisian Government also is concerned about the upsurge of activity on the part of followers of Salah ben Youssef, the exiled rival of Bourguiba, and has arrested some 30 persons.

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An International Red Cross representative has inspected the Tunisian border area where Algerians--some 7,000, [redacted]--are fleeing the projected "no man's land" and are taxing relief operations. The representative, who declined to estimate the number of such refugees, held interviews with some 30 Algerians who reported "barbarism" by French paratroopers, random executions, and wholesale destruction of property. He claims to be personally convinced of the "general authenticity, if exaggeration, of these reports." [redacted]

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Rabat Asks US to Curtail French Use of American Bases
In Morocco

The Moroccan Government, fearing that France may attempt a military build-up, has again asked the United States to keep France from bringing in large quantities of materiel via the naval air facility of Port Lyautey. On 30 November 1956, Rabat had protested to both the United States and France over French stockpiling of materiel at Port Lyautey, an action described as an "unacceptable affront to Moroccan sovereignty."

An official of the Moroccan Foreign Ministry informed the American Embassy on 2 March that approximately 22 carloads of French military equipment, including several tanks and half tracks, were off-loaded at Port Lyautey during the night of 27 February. He believed this equipment ultimately would be used against irregular Moroccan forces in "the south." He added that a considerable amount of clandestine activity appeared to be going on at Port Lyautey and this was causing his government concern.

While he recognized that American bases in Morocco are jointly commanded and operated with France, he pointed out that they were commonly considered to be American. Their use for the supply of French forces, therefore, made an extremely bad impression on public opinion and complicated Moroccan-US air base negotiations.

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India Receives Rumanian Offer to Finance and Build
New Oil Refinery

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The Indian Government, which is engaged in developing oil resources in the northeastern part of the country, is [redacted] attracted by a recent firm offer from Rumania to build a small refinery in Assam under a long-term, low-interest loan. The size of the refinery indicates that a loan of \$8,000,000 to \$10,000,000 probably is involved.

New Delhi in January signed a contract with the British-owned Burmah Oil Company giving the Indian Government a one-third interest in a \$100,000,000 joint company formed to exploit oil deposits in Assam. The government plans to build one refinery in Assam and one in Bihar, the latter connected to the Assamese oil fields by a pipeline.

All four existing oil refineries in India are owned and operated by Western companies, and British interests have provided a sterling loan equivalent to \$28,000,000 to finance construction of the proposed new pipeline. The Indian Government presumably will entertain other Western offers for refinery construction, but the Ministry of Steel, Mines, and Fuel apparently favors acceptance of the Rumanian approach.

Soviet bloc influence in India's developing heavy industry is already considerable. The USSR has provided \$132,000,000 for the Bhilai steel mill, \$126,000,000 toward a heavy machine tool building complex, and has offered \$25,000,000 to the pharmaceutical industry. It has also assisted in oil exploration. Czechoslovakia is providing about \$33,000,000 for a foundry-forge project. [redacted]

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